

Interstate accords through the General Agreement on Tariffs and Trade (GATT) have helped in the second half of the twentieth century to open up borders. These accords resulted in considerable reductions in customs duties and quotas which before 1948 inhibited cross-border trade. (GATT was replaced by the World Trade Organisation, WTO an Intergovernmental Organisation founded in 1995 to supervise and promote international trade.) By enforcing existing trade agreements, the WTO has brought about liberalisation in matters such as telecommunications, shipping and investment flows. Cross-border trade made a marked increase in the late nineteenth century.

Borders have also been opened to facilitate money flows. A gold-dollar standard became operational through the International Monetary Fund (IMF). According to this regime, major currencies could circulate in the free world and be converted to local monies at an officially fixed exchange rate. (The IMF was founded in 1944 at the Bretton Woods Conference for the purpose of overseeing global rules governing money and currency regulations. In recent times it has taken upon itself the responsibility for providing technical advice, economic direction and financial loans for countries in the developing world.)

Among the cross-border transactions can be included the flow of foreign investments both direct and portfolio. (Direct investments are fixed assets like research facilities and factories and portfolio investments are liquid assets like loans and bonds.) Direct investments have proved to be a boon to developing countries and they have been able to attract multinational companies (MNCs). (MNCs are corporations functioning in several different countries.) Among the developments in respect of portfolio investments may be included permission for non-residents to hold bank accounts in another state and participation in a country's financial markets by externally based banks.

The second half of the twentieth century has also witnessed transborder production or the spreading of the latest stages of production process across different locations. Levi describes a global production operation:

Our company buys denim in North Carolina, ships it to France where it is sewn into jeans, launders these in Belgium and markets them in Germany using TV commercials developed in England.

Some Critical Views

Although globalisation is hailed as the new stage in world affairs and it is said to improve the lives of people, there are those who consider it a myth. One main objection is that globalisation is the latest phase of capitalism. The globalisation theory makes it appear that national governments are not powerful to face global trends. This inhibits national governments in their attempts to control global economic forces and regulations. The current internationalised economy is not unique and it is less open than it was in the past. International companies are rare and many are national companies trading internationally. Critics of globalisation fail to see the shift of capital from the developed to developing world. Three blocks, namely, Europe, North America and Japan have trade, investment and financial flows in their favour and, they co-ordinate policies, they can regulate global economic markets and forces. Another objection to globalisation is that it is the latest stage of Western imperialism and the virtues that are extolled are confined to the West and the Western world view is pursued at the expense of non-Western values. Commentators ask if the developed countries with their technologies are not exploiting the less well-off nations in the name of openness. Yet another objection is that the collapse of the state and space facilitates terrorist operations and smuggling through drug cartels.